SUPREME COURT OF ALABAMA

State Farm Mutual Automobile Insurance Co. v. Baggett

108 So. 3d 1008 (Ala. 2012) · Decided September 21, 2012

SUMMARY

The Alabama Supreme Court held that State Farm was entitled to reimbursement of a $25,000 overpayment made to an insured after an automobile-accident judgment. The court rejected application of the common-fund doctrine to the overpaid amount and remanded with instructions to order reimbursement without deducting an attorney fee from that amount.

CASE DETAILS

COURT	Supreme Court of Alabama
WRITING FOR THE COURT	Malone, C.J.; Woodall; Stuart; Bolin; Parker; Murdock; Shaw; Main; Avise
JURISDICTION	Alabama
DECIDED	September 21, 2012
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	State Farm appealed an order requiring Baggett to reimburse State Farm for an inadvertent $25,000 overpayment. The Court of Civil Appeals affirmed without opinion. The Supreme Court of Alabama granted State Farm's petition for a writ of certiorari.
PRECEDENTIAL VALUE	Published Alabama Supreme Court opinion
PARTIES	State Farm Mutual Automobile Insurance Company v. Charles Baggett

TOPICS

insurance · subrogation · restitution · remedies · appellate procedure

PRACTICE AREAS

insurance · insurance litigation · subrogation · restitution · appellate procedure

QUESTIONS PRESENTED

1. Whether State Farm was entitled to reimbursement of the $25,000 it inadvertently paid in excess of its UIM policy limit.

2. Whether any attorney fee under the common-fund doctrine should be deducted from State Farm's $25,000 overpayment before reimbursement.

HOLDINGS

1. An insurer that inadvertently pays $25,000 in excess of its policy limits is entitled to reimbursement of the excess amount.
2. Any attorney fee due with respect to the $85,000 collectively owed by Sagamore and State Farm must be taken from that $85,000, not from the $25,000 overpayment that State Farm is entitled to recover.

KEY QUOTATIONS

> *"This Court, however, has determined that this case is simply one in which an insurer inadvertently paid $25,000 in excess of its policy limits, and the insurer is entitled to a refund of that excess amount."* (1009)

> *"If an attorney fee was due Baggett's attorney with respect to all or part of the $85,000 actually owed in the aggregate by Sagamore and State Farm, then the fee should be taken from the $85,000, not from the $25,000 State Farm overpaid and as to which it is entitled to be reimbursed."* (1009)

FACTUAL BACKGROUND

Charles Baggett was injured in a 2005 automobile accident involving Diana Morris, whose liability insurer, Sagamore, had a $25,000 policy limit. Baggett's UIM insurer, State Farm, advanced him $25,000 to protect its potential subrogation interest and later opted out of the action. After Baggett obtained a $181,046 judgment against Morris, Sagamore paid $25,000, while State Farm mistakenly paid $60,000 instead of $35,000, resulting in a $25,000 overpayment.

PROCEDURAL HISTORY

After Baggett obtained a jury judgment against Morris, Sagamore paid its $25,000 policy limit and State Farm mistakenly paid $60,000 rather than the $35,000 remaining under its $60,000 UIM limit after crediting its $25,000 advancement. The trial court ordered Baggett to reimburse State Farm $25,000 less a one-third attorney fee under the common-fund doctrine. The Court of Civil Appeals affirmed without opinion, and the Alabama Supreme Court reversed and remanded.

DISPOSITION

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reversed_and_remanded
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REMAND INSTRUCTIONS

The Court of Civil Appeals was instructed to remand the case to the trial court, which was instructed to order Baggett to reimburse State Farm $25,000.

CASES CITED

- Lambert v. State Farm Mutual Automobile Insurance Co., 576 So. 2d 160 (Ala. 1991)

- Lowe v. Nationwide Insurance Co., 521 So. 2d 1309 (Ala. 1988)
- State Farm Mut. Auto. Ins. Co. v. Baggett, No. 2100221, 97 So. 3d 816 (Ala. Civ. App. 2011) (table)

OPINION

PER CURIAM.

PER CURIAM. In December 2005, Charles Baggett and Diana Morris were involved in an automobile accident, as a result of which Baggett was injured. Baggett subsequently sued Morris, who was insured by Sagamore Insurance Company ("Sagamore"). Baggett added his underinsured-motorist ("UIM") carrier, State Farm Mutual Automobile Insurance Company ("State Farm"), as a party to the action.

The limit of State Farm's UIM policy was $60,000. Before Baggett commenced the action against Morris, State Farm, pursuant to the procedure authorized by Lambert v. State Farm Mutual Automobile Insurance Co., 576 So.2d 160 (Ala.1991), advanced Baggett the sum of $25,000, the limit of the liability policy issued by Sagamore to Morris, to protect its potential subrogation interest against Morris.

At the time State Farm advanced the $25,000 to Baggett, Baggett executed an agreement entitled an "Advancement of Funds to Protect Future Subrogation Rights." State Farm opted out of the action pursuant to Lowe v. Nationwide Insurance Co., 521 So.2d 1309 (Ala.1988). Following a jury trial, Baggett obtained a judgment *1009against Morris for $181,046.

Therefore, Baggett was entitled to $85,000 — the total of the limits of both the Sagamore policy ($25,000) and the State Farm policy ($60,-000). Sagamore paid $25,000; State Farm, rather than paying Baggett $35,000 and receiving credit pursuant to the "Advancement of Funds" agreement for the $25,000 it had advanced, mistakenly paid $60,000, resulting in an overpayment to Baggett of $25,000.

As a result of the overpayment, the trial court ordered Baggett to reimburse State Farm $25,000, less a one-third attorney fee under the common-fund doctrine. State Farm appealed. The Court of Civil Appeals affirmed the trial court's judgment, without an opinion. State Farm Mut. Auto. Ins. Co. v. Baggett (No. 2100221, Feb. 4, 2011), 97 So.3d 816 (Ala.Civ.App.2011) (table).

State Farm petitioned this Court for a writ of certiora-ri, which we granted. Both parties' arguments assume that this case involves the application of the common-fund doctrine. This Court, however, has determined that this case is simply one in which an insurer inadvertently paid $25,000 in excess of its policy limits, and the insurer is entitled to a refund of that excess amount.

If an attorney fee was due Baggett's attorney with respect to all or part of the $85,000 actually owed in the aggregate by Sagamore and State Farm, then the fee should be taken from the $85,000, not from the $25,000 State Farm overpaid and as to which it is entitled to be reimbursed.

Baggett obtained a judgment against Morris for $181,046. Sa-gamore paid $25,000, the limit of its insured’s policy.

Including the $25,000 State Farm had advanced to Baggett, State Farm paid $85,000, $25,000 more than its policy limit of $60,000. Thus, State Farm is entitled to the reimbursement of its overpayment. Because we conclude that State Farm overpaid Baggett, we reverse the judgment of the Court of Civil Appeals and remand the case to that court for it, in turn, to remand the case to the trial court with instructions that the trial court order Baggett to reimburse State Farm the amount of $25,000.

REVERSED AND REMANDED. MALONE, C.J., and WOODALL, STUART, BOLIN, PARKER, MURDOCK, SHAW, MAIN, and AVISE, JJ., concur.